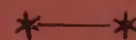


Historic, Archive Document

Do not assume content reflects current scientific knowledge, policies, or practices.

CED WORKING PAPER



Reserve
aTS1585
.S53
1977

COTTON GINNING, HANDLING, AND MARKETING SOUTHWEST IRRIGATED COTTON REGION

Dale L. Shaw, Don E. Ethridge,
and W. C. McArthur

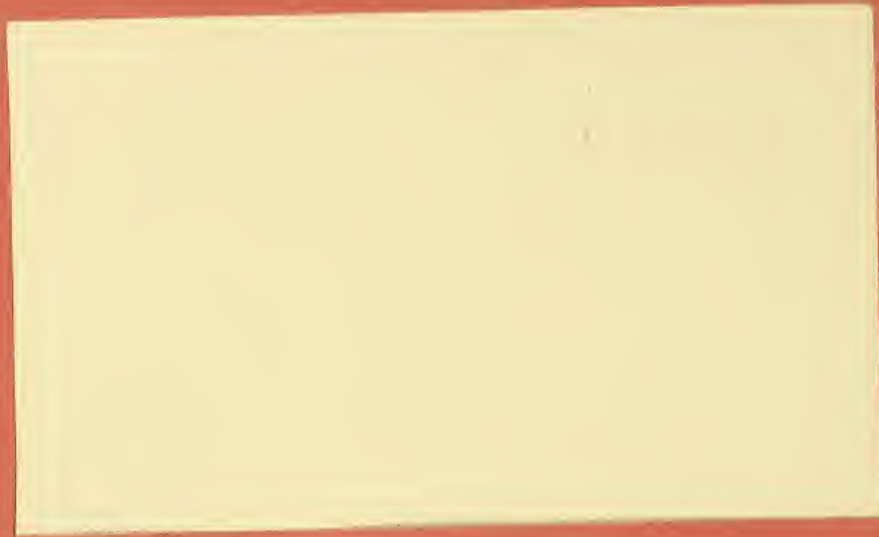
December 1977

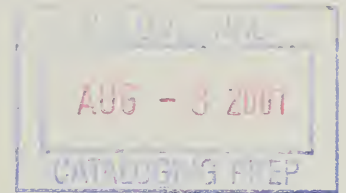
COMMODITY
ECONOMICS DIVISION



ECONOMIC RESEARCH SERVICE U.S. DEPARTMENT OF AGRICULTURE

This manuscript has been reproduced for information and discussion within Commodity Economics Division. The manuscript has not been cleared for publication and should not be cited as a reference. The views expressed are those of the author and do not necessarily represent the opinion of CED, the Economic Research Service or the U.S. Department of Agriculture.





COTTON GINNING, HANDLING, AND MARKETING
SOUTHWEST IRRIGATED COTTON REGION

Dale L. Shaw, Don E. Ethridge,
and W. C. McArthur

December 1977

CONTENTS

	<u>Page</u>
Seed Cotton Handling and Ginning	3
Harvesting and Hauling Seedcotton	3
Cotton Ginning Operations	5
Transportation, Warehouses, and Compresses	9
Merchandising Cotton	15
Summary	20

COTTON GINNING, HANDLING, AND MARKETING
SOUTHWEST IRRIGATED COTTON REGION

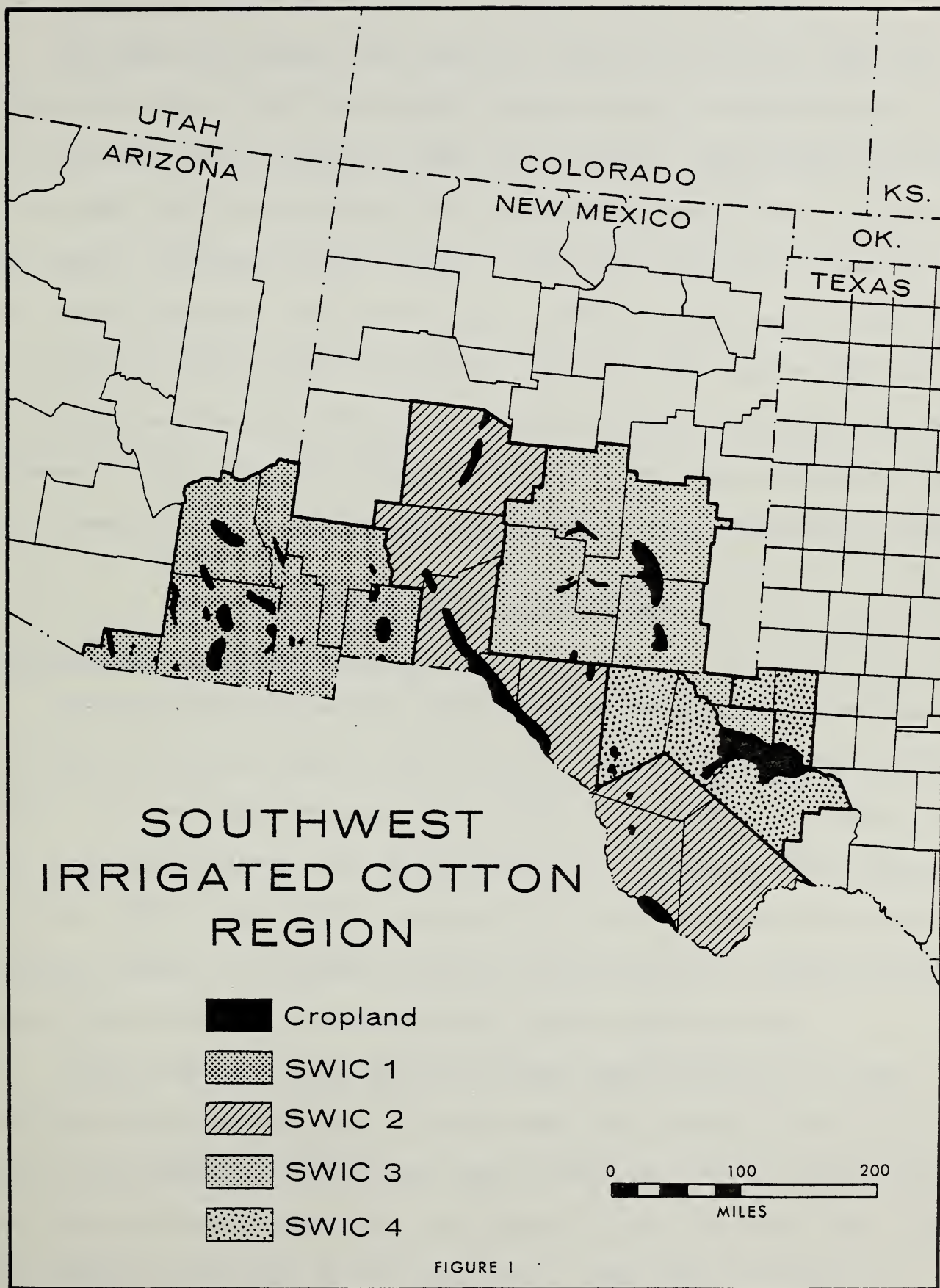
Dale L. Shaw, Don E. Ethridge,
and W. C. McArthur^{1/}

The Southwest Irrigated Cotton (SWIC) region covers parts of three states. It encompasses four counties in southeastern Arizona, ten counties in southern New Mexico, and thirteen counties in Far West Texas (figure 1). The crop producing areas, and therefore the cotton gins, warehouses and marketing organizations, are scattered throughout this vast region, and tend to be located in the valleys where cotton is grown. While there is some concentration of production in local areas, the wide spread between producing areas causes inefficiencies on account of low volumes, long hauls to gins and warehouses, higher freight costs, time and distance involved in obtaining inputs, supplies, repair, and replacement parts and services, and related factors.

Temporary outside bale storage on the gin yard is common in the SWIC region as in the Mid-Arizona, Imperial and San Joaquin areas. In the higher rainfall areas to the east of SWIC, bales are loaded on trucks direct from the gin press and hauled to a warehouse without being placed on a gin bale yard.

Most of the cotton grown in SWIC is the Acala 1517 variety; a cotton that has an especially strong fiber and is in demand for use in polyester blends. The principal market outlets for SWIC cotton are through Southwestern Irrigated Cotton Growers Association (SWIG), a cooperative in El Paso, local

^{1/} Agricultural Economists, Economic Research Service, U.S. Department of Agriculture. Shaw and Ethridge are stationed at Texas Tech University, Lubbock, Texas; McArthur at the University of Georgia, Athens, Georgia.



independent buyers, and beltwide merchants who purchase cotton for use in the domestic and export markets.

The SWIC area produced and ginned 57.1 percent of the U.S. American Pima cotton crop in 1974; the balance being produced in the Mid-Arizona (33.1 percent) and the Imperial areas (9.8 percent). Pima cotton production in the SWIC area is concentrated in El Paso county Texas, Dona Ana county New Mexico, and Graham county Arizona. Total U.S. production of American Pima cotton decreased from 88,654 bales in 1974 to 53,666 bales in 1975 with 72 percent of the reduction occurring in the SWIC area. Roller gins for processing American Pima are concentrated in the production areas, but small volumes of this cotton are produced 75 miles or more from the nearest roller gin. American Pima cotton is marketed through the same channels as upland.

Seed Cotton Handling and Ginning

Harvesting and Hauling Seed Cotton

Machine picking is the most popular harvest method in SWIC; machine stripping accounts for only a small share (10 percent or less) and is spread across the area except for the El Paso (SWIC 2) area where virtually no cotton is machine stripped. The major exception is Reeves and Pecos counties of Texas (SWIC 4) where there are about 2/3 as many strippers as pickers. Stripper harvest may increase as Acala strains adapted for stripper harvest become available and if producers plant shorter season cottons.

Cotton producers in the SWIC area assume responsibility for transporting seed cotton from farm to gin in their own trailers. Only a few gins in the New Mexico and Arizona areas of SWIC own cotton trailers which they make available to producers at a charge of about \$4.00 per load. Eight (23 percent) of the gins in the Texas area of SWIC owned an average of

36 trailers each in 1974. These trailers are normally made available to producers as needed on a first come, first serve basis.

Trailers, both farmer owned and gin owned, tend to be in fairly good mechanical condition; capacity is four to five bales of machine-picked cotton. A few relatively new trailers have a capacity of six bales or more. Both farm tractors and pickup trucks are used to tow trailers between farm fields and gin yards with pickup trucks being used more as distance to the gin increases.

Trailer usage or trips to the gin varies considerably from gin to gin, producer to producer, and year to year. Typically, a producer first uses his largest and best trailers. The smaller, poorer condition trailers are held in reserve for use only when the best trailers are tied up at the gin. The result is that a few trailers may make ten or more trips to the gin while others make only one or two trips during the ginning season. In the last few years, growers have averaged only four or five trips to the gin per trailer on account of the small volume of cotton.

Cotton production and gins are concentrated in the same geographic areas; most gins are located in producing areas. Producers in the Safford Valley of Arizona in SWIC 3, Mesilla Valley of New Mexico, and the Rio Grande Valley of Texas in SWIC 2 tend to have the shortest hauls to the gins; the haul distance averaging five to six miles with only a few hauls exceeding ten miles. The average farm to gin distance in the Pecos Valley, New Mexico, in the SWIC 3 area is about ten to 12 miles with a few producers being located 25 miles from the gin. The average hauling distance in the Trans-Pecos area in SWIC 4 is 15 to 20 miles with some cotton in this area being hauled 60 miles to a gin. The more isolated producers in the rest of the

SWIC area are 75 miles or more from the nearest gin. Average and maximum farm to gin distance will increase as more gins cease operations.

Cotton Ginning Operations

In 1974, there were 85 active and 21 idle gins in the SWIC area. The 20 roller and 65 saw gins were operated by about 55 firms which ginned an average of 2,954 bales in 1973 and 3,628 bales in 1974 (table 1). Even though several additional gins were idle, average volumes in 1975 decreased to less than 2,000 bales per gin on account of the smaller acreage and low yields.

The cooperative form of gin organization predominates in the SWIC 2 (Rio Grande) and SWIC 3 (Pecos) subareas. Several of the cooperative firms operated more than one saw-gin plant while none of the independent gins had more than one. However, several independent gins as well as cooperatives operated both a saw gin and a roller gin.

Gins in the SWIC region tend to be quite old and small. Most saw-gin plants have a rated capacity of six to eight bales per hour with only a few rated at 15 bales or more. In 1974, the average rated saw ginning capacity was 10.2 bales per hour and ranged from 5.0 to 20.1 bales per hour per plant. Roller gins are typically smaller with a capacity ranging from three to twelve bales per hour, and averaging six bales per hour.

Competition among gins is not as great in the SWIC area as in the Texas High Plains. Most of the SWIC cotton growing areas are served by only one ginning firm. If that particular firm ceases operation, ginning services are no longer available in the community. Farmers who continue to produce cotton in these communities are forced to haul it a much longer distance to be ginned.

Table 1. Gins and ginning volumes, SWIC areas, 1973 and 1974

Subareas of SWIC ^{1/}	Idle :		Active gins 1974		Total ginning		Average volume	
	Saw :	Roller :	Total		1973 :	1974 :	per active gin	
	Number				Bales		1973 :	1974 :
SWIC 1	4	15	5	20	53,575	86,368	2,679	4,318
SWIC 2 (Rio Grande)	12	23	13	36	84,676	111,302	2,352	3,092
SWIC 3 (Pecos)	2	15	0	15	52,927	56,802	3,528	3,787
SWIC 4 (Trans Pecos)	3	12	2	14	59,929	53,874	4,281	3,848
Total	21	65	20	85	251,107	308,346	2,954	3,628

Subareas of SWIC	Cooperative		Independent		Total		Percent cooperatives	
	Firms :	Plants :	Firms :	Plants :	Firms :	Plants :	Firms :	Plants :
	Number of active gins 1974				Percent			
SWIC 1	2	8	9	12	11	20	18	40
SWIC 2 (Rio Grande)	12	22	8	14	20	36	60	61
SWIC 3 (Pecos)	7	12	3	3	10	15	70	80
SWIC 4 (Trans Pecos)	5	5	9	9	14	14	36	36
Total	26	47	29	38	55	85	47	55

^{1/} SWIC 1, includes Cochise, Graham, Greenlee, and Santa Cruz counties in Arizona, and Grant, Hidalgo, and Luna counties in New Mexico; SWIC 2, the Rio Grande Valley, includes Dona Ana, Sierra, and Socorro counties in New Mexico, and El Paso, Hudspeth, Jeff Davis, Presidio, and Brewster counties in Texas; SWIC 3, the Pecos River Valley, includes Lincoln, Chaves, Otero, and Eddy counties in New Mexico, and Loving and Ward counties in Texas; SWIC 4, the Trans-Pecos area, includes Culberson, Reeves, Pecos, Crane, Ector, and Winkler counties in Texas.

Source: U.S. Department of Commerce, Bureau of the Census, Cotton Ginning in the United States, Crop of 1974; and Texas Cotton Ginners' Association, 1975 Ginners' Redbook.



Producers and ginners in the SWIC area have not adopted rick or module seed cotton storage. Two module builders and two rickers in the Arizona portion of SWIC were the only known seed cotton storage equipment in the entire area in 1975. This equipment was used only when trailers were in short supply. The use of module handling and storage is expected to increase slowly in the SWIC area. The decrease in cotton acreage over time has resulted in adequate to excess trailer and ginning capacity, making seed cotton storage unnecessary.

The State Corporation Commission of New Mexico classes cotton gins as public utilities, therefore gins must file rate forms and prove "just cause" for rate changes. Gins in local areas meet in late summer to determine ginning charge rates to request for the season ahead. Ginning charges for saw ginning in the Pecos Valley (SWIC 3) for the 1974 and 1975 seasons were \$1.75 per hundred pounds of seed cotton plus \$7.50 per bale for bagging and ties. Roller gin charges were \$2.15 per hundred pounds of seed cotton plus \$7.50 for bagging and ties. The same ginning rates applied in the Mesilla Valley area of SWIC 2 and the Western New Mexico counties of SWIC 1; but bagging and ties were \$6.50 per bale. These ginning rates represent a considerable increase from the 1973 rates of \$1.35 per hundred pounds for saw gins and \$1.85 per hundred for roller gins including bagging and ties. These rates include all charges for ginning, insurance, transportation, special dues, and so forth. Extra services such as furnishing trailers are assessed a charge at an approved rate. Ginning charges in the Arizona section of SWIC ranged from \$1.75 to \$2.00 per hundred pounds of seed cotton for saw gins and about \$2.50 for roller gins, including bagging and ties. The Arizona charge does not include transportation from gin to warehouse but it does include insurance and 20 days of yard storage.



In the Texas area of SWIC, the 1973-74 saw gin charges averaged \$1.39 per hundred pounds of seed cotton plus \$5.04 per bale for bagging and ties and \$1.15 per bale for insurance. In 1974-75, these charges increased to \$1.56, \$5.88, and \$1.26 respectively.

Gins in the Rio Grande and Mesilla Valleys of Texas and New Mexico derive practically all revenue from ginning cotton while gins in the rest of SWIC are more diversified. Gin managers in the Mesilla Valley indicated that they cannot effectively compete with highly reliable, well established firms in supplying cotton and other planting seeds, fertilizers, herbicides, insecticides and other farm inputs or with the established marketing agencies. Gins in the balance of the SWIC area provide services other than ginning. The trend is toward greater involvement of ginners in non-ginning activities. In addition, ginners already involved in non-ginning enterprises are expanding their operation to include more goods and services. Services provided by cooperative gins include supplying planting seeds, fertilizers, herbicides, insecticides, and other production inputs, application of fertilizers, marketing cotton lint, oil mill operations, grain storage and merchandising, and alfalfa processing and marketing. Independent gins tend to be owned by local cotton producers who do custom ginning for other producers as well as ginning their own cotton.

Excess ginning capacity is most evident in the Mesilla Valley area, but this situation exists throughout the SWIC region. Gin mergers have been studied and discussed, especially in the Mesilla Valley, but none have taken place even though studies show considerable cost savings may be possible.^{2/} Some multiple-plant saw-gin firms have not operated all plants

^{2/} Fuller, Stephen, and Monty Washburn, "Centralized Cotton Ginning: A Locational Analysis." Agricultural Experiment Station, New Mexico State University, Bulletin 636, July 1975.



the past few years, but few gins have actually been dismantled. Some consolidation has occurred in the Pecos Valley, mainly through cooperatives purchasing independent gins and only operating part of them.

Roller gins in the SWIC area are owned and operated by firms that also operate saw gins. Occasionally, some Acala 1517 is processed on roller gins which results in slightly longer staple and higher turnout. Mainly on account of the PL 480 program, upland cotton ginned with roller-type gins during the 1969-71 seasons brought a premium of five to seven cents per pound over similar-saw ginned cotton going to markets in India, Pakistan and Japan. Mesilla Valley roller gins processed 2,567 bales of upland cotton in 1969 and 8,345 bales in 1970. Since the 1973 season, there has been no demand for roller ginned upland cotton; therefore, none was processed by that method. Domestic mills prefer roller ginned upland cotton, but are not currently willing to pay a premium for it to cover the greater ginning cost. Ginners do not expect to renew this type of operation.

Most gins in the SWIC area have modified flat-bale presses. The exception is the Trans-Pecos area of Texas where about one-half of the gins have older, standard density presses. About 20 percent of the total 1975-76 crop was pressed to standard density at the gins. The compresses rebate the tariff standard density compression charge to the gins. No new universal density presses are known to exist in the SWIC area. Historically, samples for classing were hand cut at the gins rather than the warehouse as in the High Plains. However, an increasing number of warehouses are cutting both the classing and handler samples, especially in the El Paso territory where 44 percent of the classing office samples were warehouse cut in 1976-77 compared to 23 percent in 1975-76 (table 2).



Table 2. Origin of samples by classing office, SWIC region, 1975-76 and 1976-77 seasons^{1/}

Classing office	Bales classed	Sampling method-bales				Sampling method-bales				Total gins
		Mechanical	Ware-house	Gin yard	Commer-cial	Gin yard	Commer-cial	Gin yard	Commer-cial	
	<u>Number</u>	<u>Percent of bales</u>				<u>Percent of gins</u>				<u>Number</u>
1975-76 season										
El Paso, Tex.	88,989	0	23	0	77	0	29	0	71	49
Carlsbad, N.M.	46,464	0	18	0	82	0	21	0	79	24
Combined	135,453	0	21	0	79	0	26	0	74	73
1976-77 season										
El Paso, Tex.	113,659	0	44	0	56	0	44	0	56	48
Carlsbad, N.M.	45,929	0	17	0	83	0	14	0	86	21
Combined	159,588	0	36	0	64	0	35	0	65	69

^{1/} Source: Agricultural Marketing Service, Cotton Division, Origin of Samples-Western Region, 1975-76 and 1976-77 Seasons.



Not much investment is expected in new gin facilities or in updating present gins in the SWIC area unless mergers take place, and then only if average annual volume is increased considerably.

Transportation, Warehouses, and Compresses

Baled cotton lint produced in the SWIC region is typically placed on an open gin yard after ginning. Usually it is not moved to a warehouse or compress until sold or committed to a specific marketing agency by the producer.

Relatively few gins in the SWIC region own trucks for hauling baled lint from gin yard to compress. In the New Mexico and Texas areas of SWIC, most bales are moved by local commercial truckers to local warehouses for a fee of \$0.50 to \$0.60 per bale paid by the gin. A few gins located close to the warehouse deliver bales direct to the warehouse from the press area in lots of five to eight bales per load on bale yard trailers or 15 to 20 bales per trip with small trucks.

In the Arizona counties of SWIC, bales must be moved much greater distances to warehouses; this expense is not included in the ginning charge nor paid by gins. Buyers arrange with producers to have bales hauled mostly to Deming, New Mexico; some go to Phoenix or Picacho, Arizona. Costs range from \$3.00 to \$3.50 per bale on account of the hauling distance of approximately 200 miles.

Gin to warehouse distance varies greatly in the SWIC region, ranging from across the street to nearly 1,000 miles for Arizona bales destined for the Southwestern Irrigated Cotton Growers Association (SWIG) warehouse in Houston, Texas (a facility outside the SWIC region but no longer owned by SWIG).



Compresses and warehouses in SWIC operate very similar to their counterparts in the High Plains. The services performed and charges are about the same in both regions. One difference is that the SWIC warehouses cut a sample for the cotton handler (SWIG, Roundtree, Hoover, and other merchants or for the producer) as part of their receiving charge; but historically these warehousemen have not cut samples for classing by the Agricultural Marketing Service (AMS). In 1975, the SWIG warehouse at Las Cruces cut the AMS sample for about 75 percent of the 32,500 bales it received. Producers were assessed an extra charge for the service. The two warehouses in the Pecos Valley cut both the AMS and handler samples at the warehouse as part of the receiving service. Classing office samples were not cut at any other warehouses in 1975, but additional warehouses planned to cut both samples in 1976. Cotton producers in the SWIC area are served by eight warehouses (five of which have compresses) located within the SWIC area and until recently by the SWIG warehouse in Houston, Texas. As previously indicated, a small volume of Eastern Arizona cotton goes to Mid-Arizona warehouses.

On account of the low volume in 1975, most compresses in the SWIC area had pressed all bales to universal density by April 1976; the press crew was laid off work at that time. Several High Plains and Rolling Plains presses also followed this practice because of the low volume of cotton. Warehouses without presses must ship cotton as flat bales or else move the cotton to presses for compression before shipping. Normally the cotton remains in the warehouse until time for shipping when it is compressed in transit (CIT).

The total warehouse capacity located in the SWIC region is 275,000 bales with one warehouse of 30,000 bale capacity belonging to West Texas



Industries (WTI) being idle since 1974 (table 3). The SWIG cooperative with four warehouses in the SWIC region is the predominant warehousing firm. It handled about 220,000 bales, 70 percent of total ginnings, during the 1974-75 season. The SWIG warehouses handle cotton for non-members as well as members.

Organized in 1926, SWIG is a marketing agency for both seed and lint. It obtained a lease on a local oil mill and started processing seed for members in 1936, added a cottonseed oil refinery in 1950, and the Houston warehouse in 1961. Other warehouse-compress facilities have been purchased since that time. The oil mill properties at El Paso included extensive facilities for feeding cattle. These facilities were used for feeding cattle on contract from the late 1930s until 1951.

The SWIG facilities in the Trans-Pecos area, obtained in 1968 from Anderson Clayton, included a cotton oil mill, warehouse and two roller gins. All of these facilities were sold during the 1976-77 season to a group of 11 cooperative gins on the Southern High and Rolling Plains of Texas. The warehouse and one roller gin operated in 1976. The other gin was sold and dismantled. The oil mill operates as West Texas Cooperative Oil Mill, processing seed trucked from the gins which purchased the oil mill. The Houston warehouse was sold to Bloomtex Leasing and partially leased back for the 1975 season. Currently it is being leased for general merchandise storage and probably will not be used to store cotton. It is advantageous to store cotton in warehouses close to the producing-ginning point, and then ship it to domestic or export destinations at the time of sale. The Deming and Las Cruces, New Mexico, and Faben, Texas, warehouses allow SWIG to handle cotton in this manner.

Table 3. Cotton compresses and warehouses, SWIC area, 1975

Subareas of SWIC ^{1/}	Capacity by ownership			Percent of :		Ginning 1974	
	WTI	SWIG	Other	Total	Total	Total	Percent of Total
	<u>Bales</u>					<u>Bales</u>	
SWIC 1		37,500		37,500	14	86,368	28
SWIC 2 (Rio Grande)		100,000		100,000	36	111,302	36
SWIC 3 (Pecos)		0	2/72,500	72,500	26	56,802	18
SWIC 4 (Trans Pecos)	3/30,000	4/7,500	5/27,500	65,000	24	53,874	18
SWIC Total	3/30,000	145,000	100,000	275,000	100	308,346	100
Percent of SWIC Total ^{3/}	11	53	36	100			
SWIG Houston, Tx. ^{6/}		105,000					

^{1/} See table 1 for counties in each area.

^{2/} Two separate warehouses (one 37,500 and the other with 35,000 bale storage capacity) under same ownership, and same tariff.

^{3/} West Texas Industries plant is idle. It has not operated since 1974.

^{4/} This SWIG warehouse was sold in 1976 along with the SWIG cotton oil mill and two roller gins.

^{5/} Two separate warehouses (one with 22,500 and one with 5,000 bale storage capacity).

^{6/} SWIG port warehouse at Houston. This warehouse was sold and part of it leased back for the 1975-76 season. The lease was not renewed for 1976-77.

Source: Approved Capacity, Commodity Credit Corporation (CCC), and visits to the areas.



Charges per bale for the warehousing services during the 1975-76 season were: receiving, \$1.00 to \$1.50; storage, \$0.80 to \$0.85 per month; recompression, \$3.75; and shipping, \$2.00 to \$2.75. Additional charges are made for such services as reweighing, resampling, handling, and storage of cotton not compressed, and for other special services.

Distance and cost of transporting cotton to either West or Gulf Coast ports from the Las Cruces-El Paso area warehouses are about equal. Trucks account for nearly all shipment to ports. Cotton, an exempt back haul, moved for about \$5.00 per bale in 1976 plus \$1.20 to \$1.50 per bale port cost. This charge was lower than the rail rates. Trucks are sometimes difficult to obtain when vegetables are available. Shipments to Southeastern mills are by rail. Costs to the 201 mills from Las Cruces and Fabens warehouses in 1976 were \$2.32 per hundredweight (\$11.60 per bale); and costs were \$2.43 per hundredweight (\$12.15 per bale) from Deming, New Mexico for a minimum of 50,000 pounds in 40-foot box cars.

Containers used in exporting cotton are not loaded from SWIC area warehouses. The cotton is moved by open or van-type trucks to the ports where it may be stuffed in containers on instructions from the shiplines.

Merchandising Cotton

The green card class is the basis of producer prices for nearly all sales of cotton in the SWIC region as in other regions. Various individual buyers and market firms participate in the merchandising of SWIC area cotton, including central market firms, local spot brokers, merchants, commission buyers, and SWIG, the El Paso based cooperative, which is the largest marketing agency operating in the region.

For the 1974-75 season, SWIG merchandised about a third of total production in the SWIC region. Of this amount, about 76 percent (81,998 bales) was upland cotton, and 24 percent (26,540 bales) was Pima cotton. This cooperative normally markets more American Pima cotton each year than any other U.S. firm. About 75 percent of the upland cotton was Acala varieties; the rest was mainly Deltapine and Coker varieties planted in the high altitude areas.

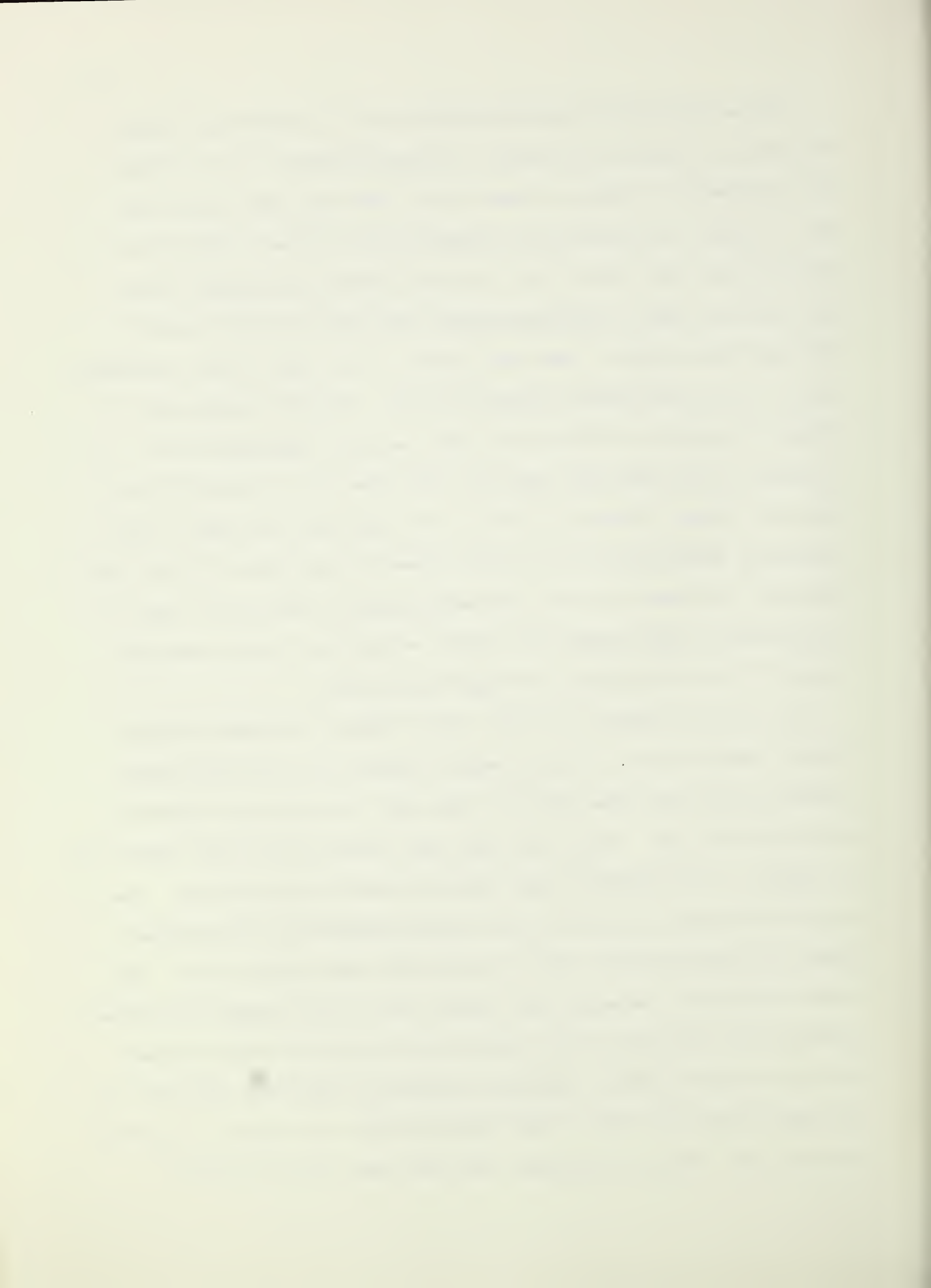
The SWIG operation utilizes seasonal pools for most of the cotton the firm handles; a small volume goes in a "call" pool where the grower sets a price and SWIG sells the cotton for the producer when it can obtain the specified price. This firm, as well as other firms, performs all services of a cotton shipper, including the sorting of odd lots of producers' cotton into even-running lots, compressing, storing, resampling, arranging transportation, and landing at mills as needed.

The Southwestern Irrigated Cotton Growers Association (SWIG) serves the panorama of numerous and widely separated areas in Far West Texas, Southern New Mexico, and Southeastern Arizona. However, about half of its 1,800 members and volume of business comes from the narrow Rio Grande and Mesilla Valleys extending about 75 miles above and below El Paso, Texas. In these areas, SWIG handles 60 percent of all cotton produced.

About 30 percent of the baled lint in the Texas Trans-Pecos, and Western New Mexico areas is sold through SWIG. These amounts drop to 25 percent for the Arizona area of SWIC and 15 percent for the Northern Pecos Valley area of New Mexico. SWIG sells approximately 60 percent of its volume to mill buyers and 40 percent to merchant/shippers with about 75 percent for domestic and 25 percent for export.

Another cooperative seasonal marketing pool is operated by Farmers, Incorporated of Roswell, New Mexico. Although referred to as a seasonal pool, settlement to growers is made on each individual sale during the year. Farmers, Incorporated does assemble cotton in even running lots based on green card values, but it does not actually merchandise cotton. Most sales are made to shipper/merchants that operate in both the SWIC and High Plains regions. They also operate a "call pool" or sell individual grower lots with the grower setting the price. Farmers, Incorporated charges the grower a \$1.00 per bale entry fee plus a handling fee of 15 percent of the sale price above the loan value not to exceed \$2.50 per bale total charge. Rebates of \$0.50 to \$0.75 per bale are common. This cooperative markets most of the cotton ginned for its members by their four gin plants, and some cotton for non-members ginned at other gins. Some low micronaire, high strength 1975 cotton was sold to a Lubbock merchant for use in open-end spinning with High Plains cotton.

R. T. Hoover Company of El Paso, Texas (owned by Hohenberg Brothers Company, Memphis which in turn is owned by Cargill) and Roundtree Cotton Company of Las Cruces, New Mexico are important and substantial buyers all across the SWIC area. These firms ship some cotton by rail, with compression in transit, to the Hohenberg owned Southwest Warehouse at Galveston. Some joint car shipments are made with the cotton segregated at the warehouse. These two firms merchandise nearly as much SWIC area cotton as SWIG. Both firms operate with a seasonal pool concept and also buy outright from growers. Producers who participate in the seasonal pool receive an advance payment when the cotton is ginned. Additional payments are made when the cotton is sold and the pool is closed. These operations are very similar to the SWIG seasonal pool. These two companies also have been active in producer



financing activities in past years although Production Credit Associations and local banks are currently the most important sources of producer credit.

Gin owners purchase very little baled lint in the SWIC area. Most communities have local merchants and/or representatives for beltwide firms. W. B. Dunavant and Company is a volume buyer out of its Phoenix, Arizona office, especially in the Eastern Arizona counties of SWIC. A few growers in this area are members of Calcot which handles cotton through its Glendale, Arizona warehouse.

The financial structure of SWIG reflects two separate cooperative operations; one to market cotton (including the warehouses) and another to process cottonseed and market the products. Each of these two major operating departments has its own set of accounting records. Members of SWIG may be patrons of either or both the cotton and cottonseed departments. The board of directors and the management staff are common to both departments.

Most of SWIG's cotton sales (60 to 75 percent) are made to mills located in the Southeast; a small amount is sold to local buyers and exporters. Advance payments are made to growers on the basis of green card class and compress weights; a final settlement is made after the pools are closed. This is similar to the Calcot seasonal pool operation.

Cottonseed marketing practices in the area served by SWIG are quite different than in most other areas across the Cotton Belt. In this area, growers who are members of SWIG sell cottonseed directly to the oil mill operated by the cooperative. In most other areas of the belt and for non SWIG members in the SWIC area, the usual market outlet for cottonseed is the local ginner who in turn sells the seed to an oil mill.

Cottonseed selling practices in this area permit the cottonseed department of SWIG to deal directly with each member of the firm in the same way

the cotton department handles the marketing of baled cotton. In most other areas, cooperative cottonseed oil mills are federations of local cooperative gins with the producers being members of the gins, but not of the oil mill.

SWIG advances payments for cottonseed directly to grower members through the local gins. Ginners ship approximately the specified tonnage to SWIG and other mills as the cottonseed accumulates at local gins. The ginner sends a statement to each mill at specified times showing the names of the growers and the tonnage of cottonseed to be credited to each account. Gins sending all of their seed to SWIG do not realize a margin on the seed, thus reducing revenue to the gin.

Members of SWIG who sign marketing agreements to deliver cotton only to the cooperative are primarily the producers who are also members of the smaller cooperative oil mills being operated by local cooperative gins at Deming and Loving, New Mexico. The cooperative operating the Loving mill also owns a cotton oil mill at Roswell, but it has not operated since the early 1970s. Members who deliver seed only are those producers who have established their own lint markets and/or financing arrangements with other merchants. A small volume of seed goes to oil mills in Central Arizona; some raw cottonseed is also exported to Mexico for processing.

Considerable structural changes are taking place in the ginning, warehousing, oilseed processing, and merchandising sector as well as the production sector in the SWIC region. The Trans-Pecos area adjustments are the most severe.

The El Paso apparel industry produces about \$500 million in men's and boys' slacks and work clothing. The four largest producers which account for 60 percent of production cut 125 million yards of fabric to produce approximately 50 million pairs of trousers annually. This represents

about one-half of the Texas apparel industry and about 10 percent of the men's and boys' trouser market in the United States. The El Paso garment producers are using about 75 percent blended or all-synthetic fabrics. The major cutters are growing at a rate of 20 to 30 percent per year, principally because of a favorable labor situation.

The four major firms producing men's and boys' trousers are Farah Manufacturing Company Incorporated, Hicks-Ponder Company, Hortex Incorporated, and Mann Manufacturing Incorporated. In addition, Levi-Strauss has two plants in the El Paso area, an expanded new facility in Roswell, two in Albuquerque, and more than 12 additional plants in other parts of Texas. Royal Park Incorporated, a Dallas based manufacturer of women's sportswear, has a sewing plant at Fort Stockton, Texas, and other plants in the Rolling Plains. Most of the fabric used by El Paso cutters comes from Southeastern and Eastern U.S. mills. There is very little textile mill activity in the El Paso area and practically no textile or apparel industry in other areas of SWIC.

Summary

The Southwest Irrigated Cotton region (SWIC) includes several widely scattered cotton producing areas. The wide spread between production areas and market facilities across this vast region creates many problems with respect to handling and the movement of cotton to central markets or to mill points.

The cotton gins are located mostly in the irrigated valleys where there is a concentration of production. In most cases, only one gin serves a given production area or community. Consequently, there is less competition among gins in the SWIC region than in most other areas across the Cotton Belt.

Although the number of gins serving the region has been declining, module and rick handling of cotton is not a common practice; mainly because ginning capacity and hauling equipment are still adequate to handle the volume of cotton produced in recent years. A greater need for seed cotton storage could develop if producers were to increase production significantly.

The charge for ginning and wrapping cotton amounted to about \$26.00 per bale in 1973, and \$35.00 in 1975. Ginning volume is relatively low in the SWIC region, averaging less than 2,000 bales per gin in 1975. The capacity of saw gins averages about ten bales per hour. None of the gins have mechanical samplers or universal density presses, but several gins have the older standard density presses.

Most cotton is placed on open gin yards after ginning where it remains until sold or committed to a marketing agency. Following sale, the cotton is moved to a warehouse or compressed usually by a local commercial trucker. Transporting SWIC area cotton includes distances ranging from across the street to nearly 1,000 miles for the Arizona cotton going to warehouses in Houston. Warehouse charges for three months (including storage, receiving, compressing, and shipping) averaged about \$10.00 per bale in 1975.

The Southwestern Irrigated Cotton Growers Association (SWIG), a grower cooperative, is the principal market outlet for cotton in the SWIC region. Other outlets include local independent buyers and beltwide merchants who purchase cotton for the domestic and export markets.

Cooperative oil mill firms including SWIG and other local cooperatives process most of the cottonseed produced in the SWIC region. The area also has a relatively large apparel industry centered in El Paso, mainly cutters of trousers for men and boys. This industry which now represents about ten percent of the trouser market in the United States is growing in size and importance.

Major structural changes are occurring in the ginning, warehousing, oilseed processing, and merchandising sectors as well as in the production sector of the cotton industry in the SWIC region. Adjustment in some areas such as the Trans-Pecos has been more severe than in other areas. The continuing decline in production all across the region is impacting sharply on cotton ginneries, handlers, and merchandising firms as well as cotton producers and suppliers of farm inputs. The changes that are occurring in these sectors of the industry raise important questions about the future of the cotton industry in the SWIC region.

NATIONAL AGRICULTURAL LIBRARY



1022549630

NATIONAL AGRICULTURAL LIBRARY



1022549630